



**Final Minutes
Endowment Fund Investment Board (EFIB) Special Meeting
January 05, 2005**

The Endowment Fund Investment Board called for a special meeting on Wednesday, January 05, 2005. Chairman M. Dean Buffington called the meeting to order at 11:03 a.m. and recognized that a quorum was present.

Members Present:

M. Dean Buffington
Representative William W. Deal
Gavin Gee
Tom Kealey
Senator Brad Little
Dr. Rick Miller
William D. Mitchell
John Taylor

Members Absent:

Parker Woodall

Staff Present:

Matthew Haertzen
Connie Eshelman
Andrew Potter
Angela Zirschky

Guests:

Julie Weaver, Attorney General's Office
Kent Nelson, Attorney General's Office
Larry Schlicht, Division of Financial Management
Ray Houston, Legislative Services

Temporary Hold on Endowment Fund Distributions to the Agricultural College Earnings Reserve Fund and the Charitable Institutions Earnings Reserve Fund: Approved

A special meeting was held to discuss the negative earnings reserve balances for two endowment earnings reserve funds: the Agricultural College Earnings Reserve Fund and the Charitable Institutions Earnings Reserve Fund.

An executive session was held at the December 14, 2004 Regular Endowment Fund Investment Board Meeting to discuss the negative balances in these two funds. As a result of this meeting, the Office of the Attorney General researched the issue and found that the negative balances violated each of the endowment's trust related principles and that moving forward with continued distributions to the beneficiaries would be improper.

The Office of the Attorney General therefore recommended a temporary hold on distributions beginning with the January 10, 2005 distribution. A subsequent meeting was held with the staff for the State Board of Land Commissioners on Tuesday, January 04, 2005 to discuss the issue and the recommendation from the Attorney General's Office.

Kent Nelson from the Office of the Attorney General noted several possible solutions that his office discussed to fund the deficits. Those solutions included adjusting the payout level, using general funds to bring the balances to zero, pooling the land portion of the endowments, and borrowing from other funds. The consensus of the Endowment Fund Investment Board was to not pursue any interfund borrowing.

Mr. Haertzen distributed a handout on the monthly distributions to the Agriculture College and Charitable Institution beneficiaries and noted that the projected fund balance deficits for fiscal year 2005 would increase by \$255,203 for the Agriculture College and \$765,444 for the Charitable Institutions if no actions were taken.

Mr. Schlicht from the Division of Financial Management reported on the percentage of the beneficiary budgets that is funded by the Charitable Endowment on an annual basis:

<u>Agency</u>	<u>Amount of Distribution</u>	<u>Percentage of Budget</u>
State Juvenile Corrections.....	8/30.....	1.7%
State School and Hospital North.....	8/30.....	12.6%*
Idaho State University and the Agricultural College	8/30.....	0.5%
School for the Deaf and Blind.....	1/30.....	1.2%
Veteran's Home	5/30.....	2.7%

*Percentage based on the State School and Hospital North's total appropriation separate from the Department of Health and Welfare. If calculated with the Department of Health and Welfare's appropriation, the budget percentage is .05%.

A motion was made by Senator Brad Little, second by Representative William Deal to indefinitely suspend payments to the Agricultural and Charitable Institutions commencing January 10, 2005 and to recommend that the Legislative and Executive Branches provide a solution for the deficits in the endowment earnings reserve funds.

The motion carried unanimously.

This solution was also discussed with Endowment Fund Investment Board member Parker Woodall in a call on Tuesday, January 04, 2004 at which time, he noted his support for this action.

In follow-up to the motion, Senator Brad Little advised the Board that Representative William Deal and he would set up meetings with the House and Senate to discuss possible solutions to remedy the deficit situation.

The Endowment Fund Investment Board elected to send a letter to the beneficiaries written by the Office of the Attorney General notifying them of the temporary hold in the distribution of endowment funds for their agencies. Prior to sending the letter, Mr. Haertzen will call each of the directors this afternoon, January 05, 2005 and notify them of the situation. The letter will be faxed to each of them directly following the phone call followed by a mailed hard copy. Courtesy copies

will be sent to the State Board of Land Commissioners and the committee chairs for Health and Welfare, Education, and Budget. Any media inquiries will be directed to Mr. Haertzen.

There being no further business to come before the Board, the motion was made by Representative William Deal, second by William Mitchell to adjourn the meeting at 11:54 a.m.

The motion carried unanimously.